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PACIFIC TELESIS
Group-Washington

EX PARTE OR LATE FILED

September 27, 1996

EX PARTE

William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Dear Mr. Caton:

Re: CC Docket No. 96-45, Universal Service

Yesterday, Rick Normington of Pacific Bell met with Julia Johnson, Commissioner of the Florida Public Service Commission and Joint Board Member to discuss the above docket, particularly the matters set forth in the attached document. Representatives of other organizations also participated, including Craig Unruh of SBC. Please associate this material with the above referenced proceeding.

We are submitting two copies of this notice in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,

Alan Ciamporcero

cc: Julia Johnson, Florida PSC

VALUE STATEMENT RE: THE ROLE OF TECHNOLOGY IN LIFE-LONG LEARNING

WE BELIEVE IN THE PROMISE OF EDUCATION TECHNOLOGY AS A *GREAT EQUALIZER* - A MEANS OF BRIDGING THE GAP BETWEEN TODAY'S INFORMATION HAVES AND HAVE NOTS. WE BELIEVE THAT, IN SCHOOLS, IT CAN FACILITATE THE ACQUISITION BY ALL STUDENTS OF THE KNOWLEDGE AND SKILLS - INCLUDING LANGUAGE AND INFORMATION SYSTEMS LITERACY - WHICH ARE REQUIRED TO FUNCTION EFFECTIVELY IN OUR COMPLEX AND EVER-CHANGING WORLD, AND IN THE ABILITY TO CONTINUALLY ENHANCE THOSE ATTRIBUTES VIA LIFE-LONG LEARNING. WE BELIEVE LIBRARIES HAVE AN ESPECIALLY CRITICAL ROLE TO PLAY IN THIS CONTINUUM, AS A PLACE WHERE THOSE WITHOUT HOME ACCESS TO ELECTRONIC INFORMATION ARE AFFORDED CONTINUED EQUAL ACCESS WHEN NO LONGER ENROLLED IN SCHOOL.

OBJECTIVES OF THE SNOWE-ROCKEFELLER AMENDMENT

1. **Expand the definition of Universal Service to include *telecommunications services provided to the nation's schools and public libraries.***

2. **Ensure that Universal Services to schools and libraries are provided *at rates less than the rates charged for similar services to other parties.***

3. **Ensure that schools and libraries have *access* to advanced telecommunications and information services in addition to core services.**

SOLUTION DESIGN ASSUMPTIONS & PRINCIPLES

TECHNOLOGY PARAMETERS

1. Due to individual conditions and preferences, schools and libraries have a wide variety of technology needs and plans. Thus, the ideal Snowe-Rockefeller mechanism should accommodate maximum flexibility over technological platform/system architecture and network design.

2. If education technology is to fulfill its promise vis-à-vis enhanced learning effectiveness, numerous critical success factors must be present, among them: (a) affordable terminal equipment and software; (b) classroom infrastructure; (c) affordable network access and transport; (d) Internet service, (e) valued "telelearning" applications, (f) effective curriculum integration, (g) comprehensive staff development; (h) teaching standards; (i) community support, (j) assessment/feedback re: changed performance.

- Of the above elements, all of virtually equal importance, only "c" constitutes "*telecommunications services* as defined by existing regulation."

SOLUTION DESIGN ASSUMPTIONS & PRINCIPLES (cont)

MARKET DYNAMICS PARAMETERS

3. The mechanism should promote a competitive marketplace in which informed buyers are free to choose the provider which offers them the best value as measured by individual needs. Thus, it should: (a) provide incentives for market entry; (b) be neutral as to type of provider; and (c) reimburse providers for the full market price their services would otherwise command.

4. The Fund should be created by annual assessments on telecom retail revenue which is flowed through to a surcharge on end users of the providers' services.

5. The FCC should establish the size of the Federal Education Fund at a level which balances schools'/libraries' need for increased affordability, their associated need for a predictable level of support, and Fund payers' corresponding need for predictability of payments.

SOLUTION DESIGN ASSUMPTIONS & PRINCIPLES (cont)

ADMINISTRATIVE EFFICIENCY / EASE OF USE PARAMETERS

6. The mechanism selected to provide connectivity assistance to schools and libraries should be simple enough to obviate high new costs of administration which would increase the overhead burden of regulators, telecommunications providers, and the intended beneficiaries, i.e., schools and libraries.

7. The mechanism design should provide for ease of integration with complementary programs which may currently exist in the respective states, or be implemented in the future pursuant to local goals and needs.

8. The mechanism should be simple to understand so that institutions can easily discern how to use it and determine funding support in future years.

SOLUTION DESIGN ASSUMPTIONS & PRINCIPLES (cont)

SOCIO-POLITICAL PARAMETERS

9. All qualified schools and libraries should receive a base level of assistance - which might vary according to a rubric of individual needs/circumstances - and which is sufficient to support a threshold critical mass of connectivity to the national information infrastructure. Absent this, true equity of access cannot be assured.

10. Any remaining Fund value should be allocated to schools on an ADA basis, or some other appropriate measure of size to promote comparable grades of service.

11. The allocation mechanism may be structured to favor support to schools/ libraries with special circumstances (e.g., high cost area, technological and/or economic impoverishment, etc.), but should not ignore students and library patrons whose communities have supported early adoption.

OUR PROPOSAL

1. Distribute the Fund directly to schools/libraries (i.e., not via intermediary organizations) in the form of annual allotments of "telecommunication service credits" for the procurement of NII connectivity services using the technology of their choice. Providers would redeem credits for cash from the Fund.

2. Structure the allocation mechanism such that all applicable institutions receive sufficient credits to support a threshold base of services (A), plus incremental support which varies on an ADA/size basis (BX, where "B" = $/student & "X" = students). Thus, "E rate" = A + BX.

3. Accommodate special need circumstances (e.g., high cost area, technological impoverishment, economically challenged community) using a rubric which varies the level of "A" and/or the level of "B".

4. Allow allotments for the first "x" years to be carried over to subsequent years so institutions not initially ready for full deployment do not "lose" funding support.

AN ILLUSTRATION

ASSUME: (1) FCC establishes the initial Fund size at $1.0 billion per year;
(2) 120,000 schools, with 45,000,000 students; 15,000 public libraries;
(3) 25% of institutions have special needs;
(4) "A1" established at $5,000/yr for *normal* base; "A2" (special needs) at $7,500/yr (up to 50% higher);
(5) "B" = ($1,000,000,000 - $759,375,000)/45,000,000 = $5.347

RESULTANT FUNDING DELIVERED:

	Number of Institutions	Minimum Funding	Total Funding at Varying ADA			
			100 ADA	500 ADA	1000 ADA	3000 ADA
Most Schools	90,000	$5,000	$5,535	$7,674	$10,347	$21,041
- Spec Needs	30,000	$7,500	$8,035	$10,174	$12,847	$23,541
Most Libraries	11,250	$5,000				
- Spec Needs	3,750	$7,500				

SAMPLE PACKAGE OF SERVICES AT $5,535 PER YEAR

(School of 100 with no special need factors)

In Pacific Bell franchise area:

100% Discount of:

- **20 1MBs (576 Kbps w/ a 28.8 modem), with $2,835 left over**
- **5 lines of BRI-ISDN (560 Kbps) with $735 left over**
- **3 ports of 56Kb Frame Relay (168 Kbps) with $1,035 left over**

50% Discount of:

- **40 1MBs (576 Kbps w/ a 28.8 modem), with $2,835 left over**
- **10 lines of BRI-ISDN (560 Kbps) with $735 left over**
- **6 ports of 56Kb Frame Relay (168 Kbps) with $1,035 left over**
- **1 T-1**

BENEFITS OF OUR PROPOSAL

1. Schools/libraries can set own discount level by varying the amount of services purchased.
2. Easy to understand and administer. No need for regulatory hearings focused on traditional rate making principles and formulae. Instead, dialog focuses on customer issues:
   - base level funding needs
   - incremental assistance needed for special needs
3. Customer-provider interactions based on open market dynamics
4. Incremental spending power of school/library market will attract new service providers and national network investment.
5. Snowe-Rockefeller objectives achieved with equity for all stakeholders
6. Incremental market purchasing power will enable larger volume discounts; users can form affinity groups among selves or with state govt to negotiate large user master purchasing agreements

COMPARISON WITH ARTICULATED DESIGN PRINCIPLES

1. **Maximum flexibility over choice of available technologies**
2. **Applies to telecom/access services only; other prerequisites handled separately**
3. **Incentives for market entry; competitively neutral; fair market value reimbursement**
4. **Fund constructed with telecom user fees**
5. **Predictable and affordable services; predictable and affordable end user surcharges**
6. **Administrative efficiency/simplicity. Satisfies the Act without burdensome, protracted debate over cost formulae and monopoly-era regulatory principles**
7. **Easily complements existing/future state programs and industry initiatives**
8. **Simple to use and understand**
9. **Guarantees all institutions a critical mass of NII connectivity**
10. **Provides for *special need* situations**
11. **Can be designed for early boost of low tech environments without stifling progress of early adopter communities**